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SUBJECT: SHULTZ-DENT VISIT: FORMATION OF JOINT U.S.-
U.S.S.R. TRADE AND ECONOMIC COUNCIL

REF: TOSHU 99

1. FOLLOWING IS DRAFT BACKGROUND PAPER TO BE DELIVERED

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TO MESSRS. KENDALL AND SCOTT FOR THEIR USE IN CONNECTION

WITH ANNOUNCEMENT OF FORMATION OF THE JOINT U.S.-U.S.S.R.
TRADE AND ECONOMIC COUNCIL.

QUOTE. DESPITE THE TEMPORARY SETBACK TO ADMINISTRATION
EFFORTS TO OBTAIN NON-DISCRIMINATORY TARIFF TREATMENT FOR
THE U.S.S.R., CURRENT PROSPECTS FOR U.S.-SOVIET TRADE POINT
TO AN ACTIVE ROLE FOR THE COUNCIL IN FACILITATING THE
RAPIDLY GROWING COMMERCIAL RELATIONSHIP.

A GLANCE AT CURRENT U.S.-SOVIET TRADE FIGURES INDICATES
THAT THE CREATION OF THE JOINT U.S.-U.S.S.R. TRADE AND
ECONOMIC COUNCIL IS A VERY TIMELY AND PRACTICAL STEP. TOTAL
U.S.-SOVIET TRADE TURNOVER, HAS INCREASED FROM DOLS 218
MILLION IN 1971 TO DOLS 642 MILLION IN 1972, AND ABOUT
DOLS 1.5 BILLION IS PROJECTED FOR 1973. UNITED STATES EXPORTS
TO THE U.S.S.R. FOR THE FIRST SEVEN MONTHS AMOUNTED TO
DOLS 797.2 MILLION, FOUR TIMES THE FIGURE FOR THE SAME
PERIOD LAST YEAR, (DOLS 185.9). THE U.S.S.R. ACCOUNTED
FOR 60 PERCENT OF U.S. EXPORTS TO EASTERN EUROPEAN COUNTRIES
SO FAR THIS YEAR. UNITED STATES IMPORTS FROM THE U.S.S.R.
DURING JANUARY-JULY 1973 INCREASED 2 1/2 TIMES OVER THE SAME
PERIOD LAST YEAR (DOLS 99 MILLION AS AGAINST DOLS 38.6
MILLION). THE U.S.S.R. ACCOUNTED FOR 37.5 PERCENT OF U.S.
IMPORTS FROM EAST EUROPE AND THE U.S.S.R. COMBINED DURING
JANUARY-JULY 1973.

WHEN THE JOINT U.S.-U.S.S.R. TRADE AND ECONOMIC COUNCIL
COMES INTO BEING, IT WILL NOT BE WITHOUT PRECEDENT. THERE
WAS AN AMERICAN-SOVIET CHAMBER OF COMMERCE IN THE 1930'S
WHICH HAD OFFICES IN NEW YORK AND MOSCOW. IT WAS AN ORGANI-
ZATION OF AMERICAN BUSINESSMEN TRADING WITH THE U.S.S.R.
WHICH COLLECTED AND DISSEMINATED MARKET INFORMATION FOR ITS
MEMBERS.

THE SEEDS FOR THE CURRENT ORGANIZATION--NOW CALLED THE JOINT
U.S.-U.S.S.R. TRADE AND ECONOMIC COUNCIL--WERE PLANTED DURING
THE VISIT OF FORMER SECRETARY STANS TO THE SOVIET UNION IN
NOVEMBER-DECEMBER 1971, WHEN FORMER ASSISTANT SECRETARY SCOTT
PROPOSED TO THE U.S.S.R. CHAMBER OF COMMERCE AND INDUSTRY AN
AGREEMENT PROVIDING FOR AN EXCHANGE OF VARIOUS BUSINESS
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SERVICES AND OF THE ESTABLISHMENT OF A SMALL OFFICE UNDER
THE U.S.S.R. CHAMBER OF COMMERCE WHICH WOULD PROVIDE SPECI-
FIED ADDITIONAL SERVICES TO U.S. BUSINESSMEN IN MOSCOW.

FOLLOWING SUBSEQUENT DISCUSSIONS IN THE SPRING OF 1972
REGARDING A U.S.-U.S.S.R. "CHAMBER OF COMMERCE" BETWEEN THE
SOVIET CHAMBER AND DONALD KENDALL OF PEPSICO, THE SOVIETS
SOUGHT U.S. GOVERNMENT APPROVAL OF THE PROJECT. THE SOVIET

POSITION WAS PUT FORTH IN A LETTER FROM FOREIGN TRADE MINISTER PATOLICHEV TO SECRETARY DENT. THIS APPROACH WAS FOLLOWED UP DURING THE WASHINGTON SUMMIT WITH THE RESULTING PROTOCOL OF JUNE 22, 1973 RELATING TO THE ESTABLISHMENT OF A U.S.-U.S.S.R. CHAMBER OF COMMERCE.

PURSUANT TO THE PROVISIONS OF THE PROTOCOL, SECRETARY DENT HOSTED A MEETING ON JULY 12 OF 24 U.S. BUSINESS AND FINANCIAL LEADERS TO DISCUSS FORMATION OF THE JOINT CHAMBER OF COMMERCE. A DECISION WAS REACHED TO PROCEED WITH THE ESTABLISHMENT OF SUCH A BODY AND MR. KENDALL WAS SELECTED TO ACT AS CHAIRMAN.

ASIDE FROM A NEW NAME FOR THE ORGANIZATION, CONSIDERABLE PROGRESS HAS BEEN MADE TOWARD THE IMPLEMENTATION OF THE JUNE 22 PROTOCOL IN RECENT MEETINGS AND DISCUSSIONS WITH THE SOVIETS. BY-LAWS HAVE BEEN DRAFTED AND FORMER ASSISTANT SECRETARY SCOTT HAS BEEN SELECTED AS PRESIDENT AND CHIEF EXECUTIVE OFFICER OF THE COUNCIL. IT IS EXPECTED THAT THE COUNCIL WILL BE INCORPORATED SOON IN NEW YORK CITY.

CURRENT PLANS AS EXPRESSED IN THE BY-LAWS CALL FOR VERY BROAD MEMBERSHIP IN THE COUNCIL. THE U.S. CHAMBER OF COMMERCE AND THE NAM HAVE BEEN INVITED TO BECOME MEMBERS OF THE BOARD OF DIRECTORS. SEVERAL CLASSES OF MEMBERSHIP WILL BE AVAILABLE, DEPENDING ON THE VOLUME OF SALES AND GROSS REVENUES OF THE ORGANIZATION MAKING APPLICATION, OR THE INTEREST AND ROLE OF AN INDIVIDUAL APPLICANT IN FURTHERING THE PURPOSES OF THE COUNCIL.

THE U.S. GOVERNMENT EXPECTS AND PREFERS THE U.S. BUSINESS AND FINANCIAL COMMUNITY TO ASSUME RESPONSIBILITY AND LEADERSHIP IN THE ESTABLISHMENT OF THE COUNCIL. END QUOTE.

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U.S.-U.S.S.R. TRADE
(IN MILLIONS OF US\$)

	JAN.-JULY	JAN.-JULY	
	1971	1972	1973

U.S. EXPORTS	161	547	185.9	797.2
U.S. IMPORTS	57	95	38.6	99.0

USSR AS A PCT
OF EAST EUROPE
AND U.S.S.R. ALL COMMODITIES

	1973	JAN.-JULY	JAN.-JULY
	PROJECTED	JAN.-JULY 1973	1972 1973

U.S. EXPORTS 1,320-1,370 70.1 PCT 166.57 693.32
U.S. IMPORTS 170-190 37.5 PCT 31.29 86.20
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